

Indiana Insurance Company
Consolidated Insurance Company
The Netherlands Insurance Company
Peerless Insurance Company

MARKET CONDUCT RE-EXAMINATION REPORT

DATE OF RE-EXAMINATION: February 9, 2009, through April 10, 2009

EXAMINATION OF: Indiana Insurance Company
(P & C Foreign)

Consolidated Insurance Company
(P & C Foreign)

The Netherlands Insurance Company
(P & C Foreign)

Peerless Insurance Company
(P & C Foreign)

LOCATION: 27201 Bella Vista Parkway
Warrenville, IL 60555

6281 Tri Ridge Boulevard
Loveland, OH 45140

N19w24130 Riverwood Dr.
Waukesha, WI 53188

PERIOD COVERED BY
RE-EXAMINATION: December 1, 2007 through November 30, 2008

EXAMINERS: Bernie Sullivan Jr. LUTCF
Examiner-in-Charge

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I. COMPLIANCE:

The Companies were previously the subject of a Market Conduct Examination completed December 12, 2003. Based on the findings of that exam report, Stipulation and Consent Orders were issued on August 2, 2004. The following is a summary of the current examination findings. Listed below are the Orders as originally issued followed by a statement about whether the companies as a whole were found to be in compliance with such Orders.

ORDER #1: Institute and maintain procedures whereby private passenger automobile policyholders are provided a specific explanation of the reason(s) for nonrenewal as required by 215 ILCS 5/143.17a.

The Companies are complying with this Order.

ORDER #2: Institute and maintain procedures whereby dwelling fire and package policyholders are provided a specific explanation of the reason(s) for cancellation and are provided at least 30 days advanced notice as outlined in 215 ILCS 5/143.15.

The Companies are complying with this Order.

ORDER #3: Institute and maintain procedures whereby commercial policyholders are provided a specific explanation of the reason(s) for nonrenewal as required by 215 ILCS 5/143.17a.

The Companies are complying with this Order.

ORDER #4: Institute and maintain procedures whereby automobile insureds, prior to the first renewal, are informed of the availability of higher collision and comprehensive deductibles and the resultant premium savings as mandated in 215 ILCS 5/143.25a.

The Companies are complying with this Order.

ORDER #5: Institute and maintain procedures whereby homeowner policies are issued with the rates and rules filed with the Illinois Department of Insurance as required by 50 Ill. Adm. Code 754.10.

The Companies are complying with this Order.

ORDER #6: Institute and maintain procedures whereby homeowner policies are issued with coverages and limits as requested on the application.

The Companies are complying with this Order.

ORDER #7: Institute and maintain procedures whereby dwelling fire rates and rules pertaining to Protective Device Credit discounts and Fair Rental Value Coverage are filed with the Illinois Department of Insurance as outlined in 50 Ill. Adm. Code 754.10.

The Companies are complying with this Order.

ORDER #8 Institute and maintain procedures whereby dwelling fire policies are issued with the rates and rules filed with the Illinois Department of Insurance as required by 50 Ill. Adm. Code 754.10.

The Companies are complying with this Order.

ORDER #9 Institute and maintain procedures whereby dwelling fire policies are issued with coverages and limits as requested on the application.

The Companies are complying with this Order.

ORDER #10 Institute and maintain procedures whereby dwelling fire policies are issued with mine subsidence coverage in the required counties unless waived in writing by the insured and are issued charging the correct premium as required by 215 ILCS 5/805.1.

The Companies are complying with this Order.

ORDER #11 Institute and maintain procedures whereby workers' compensation policyholders are provided loss runs as mandated by 820 ILCS 305/19(o).

The Companies are complying with this Order.

ORDER #12 Institute and maintain procedures whereby the insured's deductible is returned in a timely manner as required by 215 ILCS 5/143b.

The Companies are complying with this Order.

ORDER #13 Institute and maintain procedures whereby insureds who have experienced a total loss to his/her vehicle are provided the information contained in Exhibit A and provided that information in a timely manner as outlined in 50 Ill. Adm. Code 919.80(c).

The Companies are not complying with this Order.

ORDER #14 Institute and maintain procedures whereby delay letters are provided insureds who experienced a total loss to his/her vehicle as required and as outlined in 50 Ill. Adm. Code 919.80(b).

The Companies are not complying with this Order.

II. SUMMARY

1. The Companies were criticized under 50 Ill. Adm. Code 919.80(b)(2) for failure to provide a reasonable written explanation of delay in payment to the insured, when the claim remained unresolved more than 40 calendar days from the date of report to the date of final payment.

A general trend criticism was issued since 15 total loss paid claims (18.75% of the 80 files reviewed) were criticized. This is a violation of Order #14 of the Stipulation and Consent Order issued by the Director of Insurance, State of Illinois on August 2, 2004.

2. The Companies were criticized for failing to provide the insured with informational letters commonly known as the Right of Recourse letter and/or Exhibit A letter within seven (7) days of the determination of a total loss or failed completely to provide the informational letters as required by 50 Ill. Adm. Code 919.80(c), 50 Ill. Adm. Code 919.80(c)(2)(F) and 50 Ill. Adm. Code 919.80Exhibit A.

A general trend criticism was issued since 51 total loss paid claims (63.75% of the 80 files reviewed) were criticized. This is a violation of Order #13 of the Stipulation and Consent Order issued by the Director of Insurance, State of Illinois on August 2, 2004.

3. The Company was criticized under 50 Ill. Adm. Code 919.80(c)(3)(A)(i) for failing to correctly calculate and/or pay the applicable sales taxes, transfer and title fees resulting in underpayments totaling \$4,436.20.

A class trend criticism was issued since 79 total loss paid claims (98.75% of the 80 files reviewed) were criticized. All underpayments were processed and mailed to the insureds during the examination.

III. BACKGROUND

Indiana Insurance Company

Indiana Insurance Company (the “Company”) was organized as the Indiana Fire and Marine Insurance Company under perpetual charter granted on February 13, 1851 under the laws of the State of Indiana. The present title was adopted in 1875. In 1902, the Company reinsured its outstanding business and ceased operations. All remaining assets of the Company except the charter were distributed to its shareholders. The Company reorganized on May 10, 1960 under general provisions of the Indiana Insurance Law.

Consolidated Insurance Company

Consolidated Insurance Company was incorporated on December 2, 1955 under the laws of the State of Indiana. It began operations on December 29, 1955. Consolidated Insurance Company is directly owned by Indiana Insurance Company

The Netherlands Insurance Company

The Netherlands Insurance Company was incorporated on December 12, 1978 under the laws of New Hampshire to serve as the vehicle for the domestication of the United States Branch of N.V., The Netherlands Insurance Company, Est. 1845, (The Hague, Holland), which originally entered the United States in 1897. The Company transacted an agency business in this country up to 1901, at which time all outstanding risks were reinsured. The former U.S. Branch re-entered the United States in 1913, through New York. The date of domestication was effective on January 1, 1979.

Peerless Insurance Company

Peerless Insurance Company was incorporated on March 7, 1901 under the laws of New Hampshire as a combined stock and mutual enterprise. Operations did not commence until November 23, 1903. The original title was Peerless Casualty Company. The form of organization was changed to that of a capital stock carrier on April 9, 1909. The title Peerless Insurance Company was adopted January 1, 1956.

IV. METHODOLOGY:

The Market Conduct Examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants.

The following categories are the general areas examined:

1. Risk Selections
2. Underwriting
3. Claims

The review of these categories is accomplished through examination of individual claim files, written interrogatories and interviews with each Company personnel. Each of these categories is examined for compliance with Department of Insurance rules and regulations and applicable state laws.

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated with the insurer, but not cited in the report if not indicative of a general trend, except to the extent that there were underpayments and/or overpayments.

The following method was used to obtain the required samples and to assure a methodical selection. Surveys were developed from each Company generated Excel spreadsheets. Random statistical printout reports were generated by the examiners and presented to the Company for retrieval.

Risk Selection

Cancellations and nonrenewals were requested on the basis of the effective date of the transaction falling within the period under examination. They were reviewed for their compliance with statutory requirements, the accuracy and validity of reasons given and for any possible discrimination.

Underwriting

New files were selected based on the inception date falling within the period under examination. New policies were reviewed for rating accuracy, use of filed rates, use of filed forms, compliance with company underwriting guidelines and to insure that the protection provided was as requested.

Claims

Claims were requested based on the settlement occurring within the period under examination.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/et seq.) and 50 Ill. Adm. Code 919.

Selection of Samples

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
Risk Selection:			
Automobile Nonrenewals	6	6	100.00%
Commercial Nonrenewals	67	67	100.00%
Fire Cancellations	3	3	100.00%
Underwriting:			
Automobile New Business	2994	80	2.67%
Homeowner New Business	913	80	8.76%
Fire New Business	215	81	37.67%
Workers' Compensation	1276	100	7.83%
Claims:			
Subrogation	124	90	72.58%
Total Losses	121	80	66.11%

V. FINDINGS:

A. Risk Selections:

1. Automobile Nonrenewals

The population was too small for a meaningful survey.

There were no areas of concern in this survey.

2. Fire Cancellations

The population was too small for a meaningful survey.

There were no criticisms in this survey.

3. Commercial Nonrenewals

In three (3) nonrenewals (4.47% of the 67 files reviewed) the Company was criticized for either failure to provide a specific reason for nonrenewal (2 files) or failure to provide an advance notice of nonrenewal (1 file) as required by 215 ILCS 5/143.17(a).

B. Underwriting:

1. Automobile New Business

There were no criticisms in this survey.

2. Homeowners New Business

In two (2) homeowner new business files (2.50% of the 80 files reviewed) the Company incorrectly rated the premium for the coverage requested resulting in undercharges of \$1.00 each due to a rounding error.

In one (1) homeowner new business file (1.25% of the 80 files reviewed) the premium for the mine subsidence coverage was calculated as masonry construction when the construction was frame resulting in a \$47.00 overcharge.

3. Fire New Business

There were no criticisms in this survey.

4. Workers' Compensation

There were no criticisms in this survey.

C. Claims

1. Subrogation

There were no criticisms in this survey.

2. Total Losses

Fifteen total loss paid claims (18.75% of the 80 files reviewed) were criticized for failing to provide a reasonable written explanation of delay in payment to the insured, when the claim remained unresolved for more than 40 calendar days from the date of report to the date of final payment as required by 50 Ill. Adm. Code 919.80(b)(2).

A general trend criticism was issued. This is a violation of Order #14 of the Stipulation and Consent Order issued by the Director of Insurance, State of Illinois on August 2, 2004.

Fifty-one total loss paid claims (63.75% of the 80 files reviewed) either failed to provide the insured with informational letters commonly known as the Right of Recourse letter an Exhibit A letter within seven (7) days of the determination of the total loss (7 files) or failed completely to provide the informational letters (44 files) as required by 50 Ill. Adm. Code 919.80(c), 50 Ill. Adm. Code 919.80(c)(2)(F) and 50 Ill. Adm. Code 919.80Exhibit A Total Loss Automobile Claim..

A general trend criticism was issued. This is a violation of Order #13 of the Stipulation and Consent Order issued by the Director of Insurance, State of Illinois on August 2, 2004.

Seventy-nine total loss paid claims (98.75% of the 80 files reviewed) either failed to pay the applicable sales tax, transfer or title fees (8 files), or the Companies were found to have been inconsistent (71 files) about paying the correct transfer and title fees, which at the present time in Illinois adds up to \$80.00. The Companies were criticized for failing to follow each Company's own established claims handling procedures as well as for failing to follow the claim payment and handling practices required by and outlined in 50 Ill. Adm. Code 919.80(c)(3)(A)(i).

It appears to be the Companies' procedures to pay the tax, title and transfer fees at the time of settlement. A class trend criticism was issued. This resulted in underpayments of \$4,436.20. All underpayments were processed during the examination.

VI. TECHNICAL APPENDICES:

This Market Conduct Examination was conducted pursuant to Sections 5/131.21, 5/132, 5/402 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/402 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Scott Richardson, FLMI, ACS, AIE, AIAA
Acting Assistant Deputy Director
Market Conduct Examination Section

STATE OF ILLINOIS



Department of Financial and Professional Regulation Division of Insurance

IN THE MATTER OF
THE EXAMINATION OF

INDIANA INSURANCE COMPANY
350 EAST 96TH STREET
INDIANAPOLIS, INDIANA 46240

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 131.21, 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Bernie Sullivan, Examiner-In-Charge, and associates as the proper persons to examine the insurance business and affairs of Indiana Insurance Company of Indianapolis, Indiana, and to make a full and true report to me of the examination made by them of Indiana Insurance Company with a full statement of the condition and operation of the business and affairs of Indiana Insurance Company with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Indiana Insurance Company.

IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.
Done at the City of Springfield, this 19th day of Dec, 2008.

Michael T. McRaith

Michael T. McRaith

Director



STATE OF ILLINOIS



Department of Financial and Professional Regulation Division of Insurance

STATE OF ILLINOIS)
COUNTY OF SANGAMON) ss

Bernie Sullivan, being first duly sworn upon his oath, deposes and says:

That he is an examiner employed by the Division of Insurance of the State of Illinois;

That an examination was made of the affairs of Indiana Insurance Company of Indianapolis, Indiana, a foreign stock company, organized and authorized under the laws of the State of Illinois, pursuant to authority vested in the Warrant issued by the Director of Insurance of the State of Illinois;

That he was the Examiner-in-Charge of said examination and the attached report of examination is a true and complete report of the activities of the above named company, concerning the claim practices and procedures, rating, underwriting and marketing practices as of 2/10/09 as determined by the examiners.

Bernie Sullivan
Examiner-In-Charge

Subscribed and sworn to before me
this 9th day of June,
A. D. 2009.

William R. McAndrew
Notary Public

